

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 398 – HB 628

April 4, 2017

SUMMARY OF ORIGINAL BILL: Directs the Bureau of TennCare (Bureau) to report concerning the effects of incorporating pharmacist-provided medication therapy management into all of its healthcare delivery systems on program costs and patient outcomes to the Senate Health and Welfare Committee and the Health Committee of the House of Representatives on or before January 15, 2018.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (006705): Deletes all language after the enacting clause. Requires the Bureau of TennCare to develop and implement a medication therapy management (MTM) pilot program that seeks to provide high quality, cost-effective services in support of initiatives administered by the Bureau to ensure optimal health outcomes for TennCare beneficiaries. Establishes the medication therapy management pilot program termination date of June 30, 2020. Directs the Bureau of TennCare to report to the Senate Health and Welfare Committee and the Health Committee of the House of Representatives regarding program costs and patient outcomes related to incorporating the pharmacist-provided medication therapy management pilot program on or before April 15 of each year the pilot program is supported.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - Exceeds \$1,874,400/FY17-18
Exceeds \$1,736,900/FY18-19
Exceeds \$1,736,900/FY19-20

Increase Federal Expenditures – Exceeds \$3,619,300/FY17-18
Exceeds \$3,357,100/FY18-19
Exceeds \$3,357,100/FY19-20

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Assumptions for the bill as amended:

- The Bureau of TennCare (Bureau) would not be able to administer an MTM program within existing resources. The Bureau will need to hire one Clinical Pharmacist. According to the Bureau, the pharmacist position will receive a federal match rate of 75 percent; the state funding will be 25 percent.
- The recurring increase in expenditures in each of the three years of the pilot program, associated with the additional Clinical Pharmacist is estimated to be \$161,114 (\$125,000 salary + \$27,664 benefits + \$8,450 other operational costs).
- The recurring increase in state expenditures in each of the three years of the pilot program is estimated to be \$40,279 ($\$161,114 \times 25.0\%$).
- The recurring increase in federal expenditures in each of the three years of the pilot program is estimated to be \$120,836 ($\$161,114 \times 75.0\%$).
- For this analysis, per member per month reimbursements rates are estimated to be \$45 for targeted interventions lasting three months and \$150 for high risk interventions lasting six months.
- Total current Patient-Centered Medical Home and Tennessee Health Link (PCMH/HL) enrollment is approximately 305,000 members. For the pilot program, it is assumed there will be ten percent of growth in the program each year. Total enrollment in calendar year 2018 is estimated to be 335,500 [$305,000 + (305,000 \times 10.0\%)$]. Total enrollment in calendar year 2019 is estimated to be 369,050 [$335,500 + (335,500 \times 10.0\%)$].
- MTM services will be targeted towards members with high clinical risk and high moderate clinical risk, juvenile asthmatics, and juvenile diabetics. These groups account for 20 percent of the total population.
- It is assumed that the total patients eligible to receive MTM services will be 67,100 ($335,500 \times 20.0\%$) in calendar year 2018 and 73,810 ($369,050 \times 20.0\%$) in calendar year 2019. It is estimated that 40 percent of eligible members will be high risk and 60 percent will be moderate risk or eligible for targeted intervention.
- Assuming 60 percent of the total eligible population, or 40,260 ($67,100 \times 60.0\%$) members, will access MTM services in FY17-18 and 44,286 ($40,260 \times 110.0\%$) will access MTM services in FY18-19 and FY19-20; the increase in direct payments to pharmacists is estimated to exceed \$3,502,620 [$(40,260 \times 40.0\% \times \$150) + (40,260 \times 60.0\% \times \$45)$] in FY17-18 and estimated to exceed \$3,852,882 [$(44,286 \times 40\% \times \$150) + (44,286 \times 60\% \times \$45)$] in each year FY18-19 and FY19-20.
- Medicaid expenditures receive matching funds at a rate of 65.605 percent federal funds and 34.395 percent state funds.
- Of the \$3,502,620 in FY17-18, \$1,204,726 ($\$3,502,620 \times 34.395\%$) will be state funds and \$2,297,894 ($\$3,502,620 \times 65.605\%$) will be federal funds.
- Of the \$3,852,882 in each year FY18-19 and FY19-20, \$1,325,199 ($\$3,852,882 \times 34.395\%$) will be state funds and \$2,527,683 ($\$3,852,882 \times 65.605\%$) will be federal funds.
- The Bureau will require an increase in expenditures for program initiation and upgrades to the claims administrator, state run care coordination tool, training materials, and evaluation of the program.

- The one-time increase in expenditures for claims configuration in the first year of the pilot is estimated to be \$750,000.
- The recurring costs in each of the three years of the program, associated with claims processing and data exchange, maintenance and upgrades is estimated to be \$1,080,000.
- Medicaid expenditures receive matching funds at a rate of 65.605 percent federal funds and 34.395 percent state funds.
- The increase in expenditures associated with program initiation and system maintenance is estimated to exceed \$1,830,000 (\$750,000 + \$1,080,000) in FY17-18.
- Of the \$1,830,000, \$629,429 ($\$1,830,000 \times 34.395\%$) will state funds and \$1,200,572 ($\$1,830,000 \times 65.605\%$) will be federal funds.
- The increase in expenditures associated with program initiation and system maintenance is estimated to exceed \$1,080,000 in each year FY18-19 and FY19-20.
- Of the \$1,080,000, \$371,466 ($\$1,080,000 \times 34.395\%$) will state funds and \$708,534 ($\$1,080,000 \times 65.605\%$) will be federal funds.
- The total increase in state expenditures in FY17-18 is estimated to exceed \$1,874,434 ($\$40,279 + \$1,204,726 + \$629,429$).
- The total increase in federal expenditures in FY17-18 is estimated to exceed \$3,619,302 ($\$120,836 + \$2,297,894 + \$1,200,572$).
- The total increase in state expenditures in each year FY18-19 and FY19-20 is estimated to exceed \$1,736,944 ($\$40,279 + \$1,325,199 + \$371,466$).
- The total increase in federal expenditures in each year FY18-19 and FY19-20 is estimated to exceed \$3,357,053 ($\$120,836 + \$2,527,683 + \$708,534$).
- Any increase in cost for reporting by TennCare to the required committees is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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